
BOARD OF COMMISSIONERS OF
THE PORT OF NEW ORLEANS
LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1/30/08



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BOARD OF COMMISSIONERS OF
THE PORT OF NEW ORLEANS
LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2007

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

The Board of Commissioners of the
Port of New Orleans:

We have audited the accompanying statements of net assets of the Board of Commissioners of the Port of New Orleans as of June 30, 2007 and 2006 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of the Board of Commissioners of the Port of New Orleans. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board of Commissioners of the Port of New Orleans as of June 30, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 2007 on our consideration of the Board of Commissioners of the Port of New Orleans' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

The Management's Discussion and Analysis on pages 2 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Metairie, Louisiana
December 11, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2007

This section of the Port's annual financial report presents a discussion and analysis of the Board's financial performance for the Fiscal Year ended June 30, 2007. Please read it in conjunction with the Board's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The Board's financial highlights indicate a continuing recovery from the impact of Hurricane Katrina. The Board's net assets increased \$12.1 million resulting primarily from gains from insurance proceeds for claims related to Hurricane Katrina and capital contributions. All capital contributions are funds received from the State of Louisiana and the federal government for use in construction projects. Ordinary business activity resulted in a decrease in net assets of \$7.1 million and a \$0.8 million decrease over Fiscal Year 2006. In comparison to the previous years change, Fiscal Year 2006 versus Fiscal Year 2005, net assets increased \$1.8 million. The Fiscal Year 2006 increase is mainly from capital contributions offset by losses due to Hurricane Katrina.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the notes to the financial statements and reports on compliance and internal control over financial reporting and federal programs.

The Board's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Revenues, Expenses, and Changes in Net Assets. All assets and liabilities associated with the operation of the Board are included in the Statement of Net Assets.

The financial statements provide both long and short-term information about the Board's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

FINANCIAL ANALYSIS

Net Assets

The Board's total assets at June 30, 2007, reached \$619.2 million. This represents an increase of \$12.7 million or 2.1 percent from the prior year. Total liabilities reached \$138.9 million for an increase of \$0.6 million or 0.5 percent and total net assets are \$480.4 million for an increase of \$12.1 million or 2.6 percent (See Table 1).

The item, "invested in capital assets, net of related debt," consists of capital assets net of accumulated depreciation and reduced by the amount of outstanding indebtedness (offset by the debt related to unspent bond proceeds) attributable to the acquisition, construction, or improvement of those assets.

Table 1 (in thousands of dollars) Net Assets				
	<u>2007</u>	<u>2006</u>	<u>Percentage Change</u>	<u>2005</u>
Current assets	\$ 59,112	\$ 41,327	43.0%	\$ 33,010
Restricted assets	29,618	36,597	-19.1%	56,187
Property (net)	527,910	526,055	0.4%	520,299
Other assets	2,586	2,503	3.3%	2,637
Total assets	<u>\$ 619,226</u>	<u>\$ 606,482</u>	2.1%	<u>\$ 612,133</u>
Current liabilities	\$ 12,392	\$ 18,010	-31.2%	\$ 28,431
Non-current liabilities	126,481	120,233	5.2%	117,269
Total liabilities	<u>138,873</u>	<u>138,243</u>	0.5%	<u>145,700</u>
Net assets:				
Invested in capital assets, net of related debt	418,634	422,876	-1.0%	428,863
Restricted	25,677	24,347	5.5%	24,160
Unrestricted	36,042	21,016	71.5%	13,410
Total net assets	<u>480,353</u>	<u>468,239</u>	2.6%	<u>466,433</u>
Total liabilities and net assets	<u>\$ 619,226</u>	<u>\$ 606,482</u>	2.1%	<u>\$ 612,133</u>

Changes in Net Assets

The change in net assets at June 30, 2007, was an increase of \$10.3 million or 570.7 percent. The Board's total operating revenues increased \$1.9 million or 4.8 percent. Total operating expenses increased \$2.8 million or 6.1 percent. The changes in net assets are detailed in Table 2 and operating expenses are detailed in Table 3. Current assets increased significantly as a result of insurance proceeds received during the year. The restricted assets decreased due to additional payout of the 2005 Revenue Bond issue for construction of the Erato Street Cruise Terminal and Parking Complex. Property increased as expenditures were made for the Erato Complex. The decrease in current liabilities results mainly from a decrease in construction related payables for the Erato Street Cruise Terminal and Parking Complex. The increase in non-current liabilities is primarily due to additional community disaster loan draws of \$1.9 million made in 2007 and \$6.6 million of debt service assistance program loan draw downs offset by \$1.7 million of principal payments made on the revenue bonds.

In relationship to 2005, Fiscal Year 2006 net assets increased by \$1.8 million. Current assets increased significantly as a result of property damage and business interruption receivables from anticipated insurance proceeds. The restricted assets decreased due to significant payout of the 2005 Revenue Bond issue for construction of the Erato Street Cruise Complex. Property increased as expenditures were made for the Erato Street Cruise Terminal and Parking Complex and improvements to the Elaine Street Wharf. The property increase was offset by the hurricane-related loss of \$18.1 million. The decrease in current liabilities in Fiscal Year 2006 resulted mainly from a decrease in construction related payables for the Erato Street Cruise Terminal and Parking Complex and improvements to the Elaine Street Wharf. The increase in non-current liabilities is primarily due to the \$5.6 million community disaster loan made in 2006 offset by \$1.6 million of principal payments made on the revenue bonds.

The restricted funds totaling \$18.7 million result from an agreement entered into by the Port with the U.S. Army Corps of Engineers (USACE) for the redevelopment of an existing lock connecting the Mississippi River to the Inner-Harbor Navigation Canal. The Board agreed to fund a portion of the construction project as it relates to providing deep-draft access. The USACE made payments to the Board for acquiring certain Board property needed to expand the existing lock. Such funds are to be held in an escrow account by the Board until such time as they are needed to pay for the deep-draft portion of the construction project.

Table 2 Changes in Net Assets (in thousands of dollars)				
	2007	2006	Percentage Change	2005
Operating Revenues:				
Docks	\$ 29,068	\$ 25,760	12.8%	\$ 31,211
Cruise and Tourism	4,716	5,626	-16.2%	5,613
Real Estate	3,679	3,015	22.0%	3,274
Business interruption insurance	3,273	4,478	100.0%	-
Total operating revenues	40,736	38,879	4.8%	40,098
Operating Expenses:				
Operating expenses	30,591	28,670	6.7%	29,994
Depreciation	17,341	16,503	5.1%	15,391
Total operating expenses	47,932	45,173	6.1%	45,385
Operating income gain/(loss)	(7,196)	(6,294)	14.3%	(5,287)
Non-operating revenues/(expenses), net				
Investment income	2,285	1,084	110.8%	1,152
Interest expense	(5,218)	(3,287)	58.7%	(3,404)
Federal non-capital grants	651	1,252	100.0%	-
Hurricane losses	18,140	(2,961)	100.0%	-
Gain (loss) on sale of assets	(126)	3	-4300.0%	(198)
Demolition and other miscellaneous net	(694)	(182)	281.3%	(952)
Capital revenue from state and federal programs	4,271	12,191	-65.0%	25,869
Change in net assets	12,113	1,806	570.7%	17,180
Total net assets, beginning of the year	468,239	466,433	0.4%	449,253
Total net assets, end of year	\$ 480,352	\$ 468,239	2.6%	\$ 466,433

Operating revenues increased \$1.9 million or 4.8 percent. This increase was mainly from higher tonnage volumes after the storm-depressed 2006. These volumes resulted in higher rent revenues and higher container crane rental revenues. The increases in the "Docks" revenue was offset somewhat by lower cruise related revenue which was buoyed in 2006 by FEMA vessel charters. Also, business interruption receipts were lower in 2007. The decrease in operating revenue for 2006 versus 2005 is related to losses in rental revenue, container crane rent and harbor fees. This was a direct result of the impact of Hurricane Katrina with fewer vessels calling the Port causing lower cargo volumes. This reduced revenue was offset by estimated business interruption insurance revenue of \$4.5 million.

Investment income from investments has increased significantly in 2007 versus 2006 because of a combination of higher rates and more cash on hand from insurance proceeds in 2007. Investment income from investments decreased slightly in 2006 versus 2005 because of the lower restricted funds from the draw down on the Series 2005 bond issue.

Interest expense increased significantly in 2007 compared to 2006 due to the Erato Cruise Terminal and Parking Complex being placed in service in October, 2006. Interest expense on two separate bond issues totaling \$53.4 million began being recognized in Fiscal Year 2007. Prior To October, 2006 the interest was capitalized as part of the construction project. Interest expense decreased slightly in 2006 compared to 2005 due to normal amortization of bonded debt.

Table 3 Operating Expenses (in thousands of dollars)				
	2007	2006	Percentage Change	2005
Labor and fringe benefits	\$ 17,988	\$ 18,959	-5.1%	\$ 19,525
Fuel and utilities	2,099	1,609	30.5%	1,904
Supplies	358	342	4.7%	417
Maintenance agreements	364	382	-4.7%	390
Purchased services	114	131	-13.0%	139
Rent – real estate and equipment	399	469	-14.9%	473
Contract labor services	907	1,043	-13.0%	813
Travel, promotion and advertising	1,009	792	27.4%	983
Electronic data service subscription	147	134	9.7%	143
Training	29	22	31.8%	60
Professional fees	1,127	907	24.3%	1,052
Maintenance	2,187	1,603	36.4%	1,779
Insurance	4,964	3,037	63.5%	2,765
Workers' compensation	469	686	-31.6%	(125)
Security fee reimbursement	(624)	(437)	42.8%	-
Other	175	355	-50.7%	856
Depreciation	17,341	16,503	5.1%	15,391
Less capitalized labor	(1,121)	(1,364)	-17.8%	(1,180)
Total operating expenses	\$ <u>47,932</u>	\$ <u>45,173</u>	6.1%	\$ <u>45,385</u>

Operating expense increased 6.1% overall due mainly to four specific areas – fuel and utilities, maintenance and insurance increasing while being offset by a decrease in labor and fringe benefits. Further, there are six other accounts with significant variances. These are travel and promotional related, professional fees, workers' compensation, security fee reimbursement, other expense and capitalized labor.

Labor and fringe benefits decreased 5.1 percent to \$18.0 million resulting from attrition after the storm. Forty-six Board employees either retired, resigned, or were terminated post Katrina. The elimination of some positions and the hiring lag in those to be filled resulted in lower payroll expense. The 2006 labor expense was lower than that of 2005 also due to attrition after the storm.

Fuel and utilities increased as compared to Fiscal Year 2006 by \$490,000 resulting mainly from an increase in electricity, \$199,000, telephone, \$132,000 and water usage, \$115,000 for the Board-owned property. Most of these increases were a result of a return to normal usage after the storm year with added increases in electricity due to the new Erato Cruise Terminal and increasing rates. The decrease of 2006 over 2005 was due to a decrease in telephone, \$112,000, electricity, \$26,000, and water usage, \$146,000. All categories, to varying degrees, were impacted by reduction in operations related to Katrina from September through December of 2005.

Insurance costs increased \$1.9 million over Fiscal Year 2006 due to significant increases in the property insurance market as a result of the two storm catastrophes on the Gulf Coast. The 2006 property rates increased as well over 2005, resulting in a \$272,000 increase.

Travel, promotion and advertising increased \$217,000 over the 2006 expenses as overall promotion initiatives returned to pre-Katrina levels. These costs were lower for 2006 as compared to 2005 by \$191,000 as efforts were concentrated on the recovery effort with reductions mainly in promotion and advertising.

Professional fees increased \$220,000 as compared to 2006 as a result of increases in a number of areas. Legal fees increased \$74,000 due to the defense of an asbestosis case on appeal. Information Services increased \$55,000 due to services required in preparation for a major upgrade in mainframe software. Human Resources increased by \$43,000 as a benefits professional was hired for the position and expertise lost due to a resignation. The Executive Division commissioned a study related to cargo trends resulting in an increase of \$19,000. The Port is participating with a number of other Louisiana ports in an effort to obtain security grants. Our portion of hiring a firm to assist in this effort resulted in an \$18,000 increase in the Operations Division. Bridge inspections were increased in 2007 after a reduction of inspections in 2006. This increase resulted in an additional \$18,000 in the Port Development Division. Professional fees for 2006 were lower by \$145,000 over the 2005 expenses. The differences were in a number of divisions. Port Development was lower by \$30,000 as fewer bridge inspections were conducted in Fiscal 2006. The Cruise Division contracted for a study of cruise sector economical impact analysis which accounts for 2005 being higher by \$54,000. Further, an impact analysis for all port activities was conducted in 2005 which resulted in higher professional fee expenditures of \$97,000 in the Executive Division.

Maintenance costs increased \$584,000 as compared to Fiscal Year 2006 mainly due to an increased concentration on facilities in which maintenance was deferred as storm repair took precedence in 2006. The decrease of \$176,000 during fiscal year 2006 versus 2005 was due to many more repairs being made to the various facilities that relate to storm damage, rather than simple maintenance to facilities.

Workers' compensation expense decreased by \$217,000 over 2006 due to a favorable outcome on retrial of the asbestosis case mentioned below. Worker's compensation expense for 2006 increased over 2005 by \$811,000. A long-standing worker's compensation claim was settled in 2006. Further, an asbestosis claim was adjudicated unfavorable to the Board in 2004 which required an increase in reserves. On appeal, the decision was overturned and the reserve was decreased in 2005 resulting in lower expense. In 2006 the case was brought back to the primary trial level and attorneys handling the case for the Port recommended an increase in reserves.

Security fee reimbursements increased by \$187,000 over 2006 due to increased activity in 2007 and a full year of charges being collected verses only three quarters of 2006. The security plan was implemented in fiscal year 2005 between the Board and the terminal operators to charge and collect a fee related to additional security costs. These additional costs were the result of new U. S. Coast Guard security regulations placed on port interests to guard against terrorist activity. These fees commenced collection in Fiscal Year 2006 and will continue.

Other expense decreased \$179,000 from 2006 mainly due to bad debt expense decreasing \$132,000, purchase services decreasing \$17,000 and environmental expenditures decreasing \$13,000. Other expense for 2006 decreased \$501,000 or 58.5% from 2005. A major portion of this decrease is that in 2005, \$175,000 of bad debt expense was recognized for anticipated uncollectible receivables as a result of Hurricane Katrina. Further, a reversal of accruals on dredge maintenance repairs resulted in a \$248,000 reduction in other allocated expenses.

Capitalized labor was lower in 2007 by \$243,000 as a result of higher capitalized labor allocated to the Erato Cruise Terminal construction in 2006. Capitalized labor was higher in 2006 than in 2005 by \$184,000. This was the result of higher capitalized labor costs allocated to facility reconstruction as a result of the construction of the Erato Cruise Terminal and Hurricane Katrina construction.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2007, the Board had invested \$527.9 million in capital assets net of accumulated depreciation. As compared to the prior year, this amount represents an increase (including additions and disposals) of \$1.9 million. Such increase is primarily capital construction related to Katrina redevelopment projects.

Debt Administration

The Board has made its regularly scheduled payments on its Port Facility Revenue Bonds, Series 2001, Series 2002, Series 2003 and Series 2005. During Fiscal Year 2007, payments of \$6.8 million in principal and interest were made. The Board participated in the debt service assistance loan program through the State of Louisiana, which funded these payments. Total proceeds from the loan program were \$6.7 million.

Under the terms of its capital lease for the container cranes and for computer equipment, the Board made lease payments of \$1.0 million including principal and interest.

All bond debt and lease covenants have been met.

Additional detailed information relating to capital assets and debt administration is presented in the financial statements and related notes.

ECONOMIC FACTORS

The Board has rebounded from the devastation on its revenues wrought by Katrina in Fiscal Year 2006. Although not at the revenue levels of pre-Katrina Fiscal Year 2005, the most recent year was a marked improvement over the previous year. The Port's number one commodity, steel, began a comeback in early Fiscal Year 2007, however, the momentum did not sustain with lower volumes beginning in November of 2006. It is anticipated that steel will begin a strong comeback in mid Fiscal Year 2008. While steel was lagging in returning to the Port, container tonnage showed significant increases. A comparison of fiscal Year 2007 versus 2006 indicated an increase of 875,000 containerized tons or a 43% increase. The anticipation is that container volumes will continue to grow into the future. Cruise has been the slowest rebounding revenue area. During Fiscal Year 2007, the Board signed a long-term agreement with Carnival Cruise Line to keep one home ported vessel in the Port. Norwegian Cruise Line has a seasonal home ported vessel as well. It is anticipated that Carnival will return one of their larger vessels in the fall of 2009.

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide our bondholders, patrons, and other interested parties with a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Board at (504) 528-3346.

FINANCIAL STATEMENTS

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

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STATEMENTS OF NET ASSETS
JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 30,693,706	\$ 10,520,484
Investments	100,000	100,000
Accounts receivable, less allowance for doubtful accounts of \$886,681 and \$976,368 at June 30, 2007 and 2006, respectively	19,536,242	20,638,442
Due from other governments	6,476,814	6,901,360
Stores inventory	2,089,994	2,163,977
Prepaid items	215,243	1,002,368
Total current assets	<u>59,111,999</u>	<u>41,326,631</u>
<u>NON-CURRENT ASSETS</u>		
Restricted cash, cash equivalents, and investments:		
Unexpended equipment and construction funds	3,941,242	12,249,123
Revenue bond covenant accounts	7,024,245	6,487,631
Deep draft lock escrow	18,652,457	17,859,762
Total restricted assets	<u>29,617,944</u>	<u>36,596,516</u>
Property - net	527,909,527	526,055,290
Other assets	2,586,079	2,503,173
Total non-current assets	<u>560,113,550</u>	<u>565,154,979</u>
TOTAL ASSETS	<u>619,225,549</u>	<u>606,481,610</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable	4,275,596	8,858,599
Bonds payable - current	2,355,000	1,975,000
Accrued interest payable	1,330,663	1,199,667
Capital leases payable - current	347,352	349,470
Unearned income	1,181,382	1,132,927
Other liabilities	2,902,335	4,493,669
Total current liabilities	<u>12,392,328</u>	<u>18,009,332</u>

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BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

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STATEMENTS OF NET ASSETS - CONTINUED
JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<u>LIABILITIES (continued)</u>		
<u>NON-CURRENT LIABILITIES</u>		
Revenue bonds payable	104,565,615	106,600,030
Community disaster loan payable	7,549,106	5,627,230
Debt service assistance program loan payable	6,863,744	-
Capital leases payable	5,949,016	6,504,214
Net pension obligation	370,823	326,095
Compensated absences payable	1,182,634	1,175,644
Total non-current liabilities	<u>126,480,938</u>	<u>120,233,213</u>
TOTAL LIABILITIES	<u>138,873,266</u>	<u>138,242,545</u>
<u>NET ASSETS</u>		
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	418,633,786	422,875,699
Restricted for revenue bond debt service	7,024,245	6,487,631
Restricted for deep draft lock	18,652,457	17,859,762
Unrestricted	<u>36,041,795</u>	<u>21,015,973</u>
TOTAL NET ASSETS	<u><u>\$ 480,352,283</u></u>	<u><u>\$ 468,239,065</u></u>

The accompanying notes are an integral part of these statements.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

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STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<u>OPERATING REVENUES</u>		
Docks:		
Dockage	\$ 8,968,011	\$ 8,945,011
Rentals	14,946,112	12,814,447
Harbor fees	1,096,880	971,600
Container cranes	2,724,948	1,752,515
Other	1,331,946	1,276,581
	<u>29,067,897</u>	<u>25,760,154</u>
 Cruise and tourism	 4,716,480	 5,626,096
Real estate rentals	3,678,681	3,014,421
Business interruption insurance revenue	3,273,067	4,478,303
Total operating revenues	<u>40,736,125</u>	<u>38,878,974</u>
 <u>OPERATING EXPENSES</u>		
Operations services:		
Port development	9,432,171	7,345,171
Port operations	9,896,516	10,089,734
Cruise and tourism	1,282,310	1,059,378
Marketing	1,831,192	1,631,559
Total operations services	<u>22,442,189</u>	<u>20,125,842</u>
Management services:		
Finance and information services	1,861,959	2,198,287
Administration Services	1,926,651	1,707,472
Legal and risk	1,133,057	1,204,563
Business development	847,605	642,515
Total management services	<u>5,769,272</u>	<u>5,752,837</u>

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BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

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STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - CONTINUED
YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Other operating:		
Executive	1,910,899	2,105,259
Workers' compensation	468,881	685,901
Total other operating	<u>2,379,780</u>	<u>2,791,160</u>
Depreciation	<u>17,340,696</u>	<u>16,502,886</u>
Total operating expenses	<u>47,931,937</u>	<u>45,172,725</u>
<u>OPERATING LOSS</u>	<u>(7,195,812)</u>	<u>(6,293,751)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Investment income	2,285,061	1,083,986
Interest expense	(5,217,954)	(3,422,883)
Federal noncapital grants	650,895	1,251,570
Hurricane gain (loss)	18,139,708	(2,960,928)
Miscellaneous - net	(441,260)	(46,248)
Gain (loss) on disposal of assets	(126,323)	3,370
Demolition costs	(251,830)	-
Total non-operating revenues (expenses)	<u>15,038,297</u>	<u>(4,091,133)</u>
<u>INCOME (LOSS) BEFORE CONTRIBUTIONS</u>	7,842,485	(10,384,884)
<u>CAPITAL CONTRIBUTIONS</u>	<u>4,270,733</u>	<u>12,190,892</u>
<u>CHANGE IN NET ASSETS</u>	12,113,218	1,806,008
<u>NET ASSETS, BEGINNING OF YEAR</u>	<u>468,239,065</u>	<u>466,433,057</u>
<u>NET ASSETS, END OF YEAR</u>	<u>\$ 480,352,283</u>	<u>\$ 468,239,065</u>

The accompanying notes are an integral part of these statements.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

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STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from customers and users	\$ 39,045,135	\$ 33,275,077
Receipts from business interruption insurance	3,273,067	4,478,303
Payments to suppliers	(12,043,795)	(13,963,528)
Payments to employees	(13,458,683)	(14,548,442)
Payments of benefits on behalf of employees	(4,681,540)	(4,990,621)
Net cash provided by operating activities	<u>12,134,184</u>	<u>4,250,789</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Proceeds from Special Community Disaster Loan	1,921,876	5,627,230
Proceeds from debt service assistance program loan	6,642,694	-
Noncapital contributions from other governments	566,088	941,079
Hurricane costs	(5,593,185)	(2,708,989)
Net cash provided by noncapital financing activities	<u>3,537,473</u>	<u>3,859,320</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Expenditures for acquisition and construction of capital assets	(24,481,692)	(45,487,230)
Capital contributions from other governments	4,780,086	13,702,278
Repayments of principal borrowed to finance acquisition and construction of capital assets	(2,325,664)	(2,211,113)
Interest paid on amounts to finance acquisition and construction of capital assets	(5,396,365)	(5,589,075)
Demolition costs and other	(860,899)	(182,552)
Receipts from property insurance	23,301,511	5,721,697
Net cash used in capital and related financing activities	<u>(4,983,023)</u>	<u>(34,045,995)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of investments	(6,806,080)	(13,771,723)
Proceeds from sales and maturities of investments	6,350,000	18,254,744
Investment income received	2,356,924	1,769,633
Net cash provided by investing activities	<u>1,900,844</u>	<u>6,252,654</u>

(Continued)

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

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STATEMENTS OF CASH FLOWS - CONTINUED
YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	12,589,478	(19,683,232)
<u>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</u>	29,363,740	49,046,972
<u>CASH AND CASH EQUIVALENTS, END OF YEAR</u>	<u>\$ 41,953,218</u>	<u>\$ 29,363,740</u>
<u>RECONCILIATION OF LOSS FROM OPERATIONS TO</u>		
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating loss	\$ (7,195,812)	\$ (6,293,751)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation	17,340,696	16,502,886
Bad debt expense	67,209	199,549
Changes in assets and liabilities relating to operating activities:		
Accounts receivable	1,466,468	(1,264,860)
Stores inventories	73,983	520,281
Prepaid items	787,125	(614,996)
Other assets	(93,336)	133,922
Accounts payable	1,179,012	(3,378,483)
Unearned income	48,455	(81,843)
Other liabilities	(1,461,334)	(1,412,452)
Net pension obligation	44,728	(66,147)
Compensated absences payable	(123,010)	6,683
Net cash provided by operating activities	<u>\$ 12,134,184</u>	<u>\$ 4,250,789</u>
<u>RECONCILIATION TO STATEMENT OF NET ASSETS:</u>		
Cash and cash equivalents for cash flow statement include:		
Cash and cash equivalents	\$ 30,693,706	\$ 10,520,484
Restricted assets:		
Money market mutual funds	11,259,512	18,843,256
Total cash and cash equivalents	<u>\$ 41,953,218</u>	<u>\$ 29,363,740</u>

The accompanying notes are an integral part of these statements.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Board of Commissioners of the Port of New Orleans (the Port) is an independent political subdivision of the State of Louisiana, which is authorized by Louisiana Revised Statutes 34:1-47. The Port is governed by a Board of Commissioners (the Board) consisting of seven members appointed by the Governor. The Board has all the powers and privileges granted to it by the constitution and statutes of the State of Louisiana including, but not limited to, the authority to incur debt, to issue bonds, to construct and maintain wharves and landings, and to charge fees for the use of the wharves and other facilities administered by the Port.

The Port prepares its financial statements in accordance with standards issued by the Governmental Accounting Standards Board (GASB).

The Port is reported as a stand-alone entity as defined by GASB Statement No. 14, *The Financial Reporting Entity*. The Port is neither fiscally dependent on any other local government nor does it provide specific financial benefits to or impose specific financial burdens on any other government. No other potential component units meet the criteria for inclusion in the financial statements of the Port.

Measurement Focus, Basis Accounting and Financial Statement Presentation

The accounting policies of the Port conform to accounting principles generally accepted in the United States of America as applicable to governments. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses, excluding depreciation and amortization, are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The Port's accounts are organized into a single proprietary fund. The Port's operations are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges. Operating revenues and expenses are distinguished from non-operating items. Operating revenues and expenses generally result from leasing properties or providing services. Operating expenses include the cost of providing services, administrative services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Port's policy to use restricted resources first, then unrestricted resources as they are needed.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Measurement Focus, Basis Accounting and Financial Statement Presentation (continued)

Under the provisions of GASB Statement 20, *Accounting and Financial Reporting for Proprietary Fund Accounting*, the Port applies all applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict or contradict GASB pronouncements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

Investments of the Port, substantially all of which have original maturities of one year or less, are recorded at fair value. Fair value is based on quoted market prices.

Stores Inventories

The inventories of the Port consist of expendable materials, supplies and fuel and are valued at the lower of average cost or market.

Restricted Assets

Under an agreement with the Corps of Engineers (Corps) the proceeds of land sales to the Corps in 2002 and 2003 have been put into an escrow fund to be used to pay the Port's share of a deep draft lock on the Inner Harbor Navigation Canal. Gains on the sales of land of approximately \$10,100,000 and \$5,600,000 were recognized for the years ended June 30, 2003 and 2002 respectively. Interest income related to these restricted assets was \$792,695 and \$405,098 for the years ended June 30, 2007 and 2006, respectively.

Certain proceeds of the Port's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because they are maintained in separate investment accounts and their use is limited by applicable bond requirements.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Property and Depreciation

The Port capitalizes assets that have an individual cost of \$500 or more and an estimated useful life in excess of one year. Property constructed or acquired by purchase is stated at cost. Donated property is stated at the estimated fair value on the date received.

Depreciation of property and amortization of capital lease assets is computed using the straight-line method over the following estimated useful lives:

Wharves and sheds	30 - 50 years
Roadways and drainage	20 years
Marshalling areas	15 years
Buildings	15 - 40 years
Machinery and equipment	3 - 40 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital asset and improvements are capitalized as projects are constructed. The Port's policy is to capitalize construction period interest, if any. For fixed assets purchased with externally restricted debt, capitalized interest is the difference between interest expense and interest earnings on invested proceeds of the debt. The capitalization period begins with the date of borrowing and ends when the asset is put into service.

Debt and Amortization

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are included in other non-current assets.

Unearned Income

Operating revenues include rental income derived from leasing Port-owned properties. Amounts due from certain lease agreements are billed in advance and recognition of the related revenue is deferred and recognized over the appropriate lease term.

Compensated Absences

Employees accumulate vacation and sick leave at varying rates according to years of service. Upon termination, unused vacation not to exceed 300 hours is paid to the employee at the employee's current rate of pay. At retirement, unused vacation in excess of 300 hours and unused sick leave is considered in computing the years of service for retirement benefit purposes.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Statement of Cash Flows

For purposes of the statement of cash flows, cash and cash equivalents consist of demand deposits with banks, overnight repurchase agreements, and money market mutual funds.

2. CASH AND INVESTMENTS

The Port's investments and cash consist primarily of investments in direct obligations of the United States Treasury or agencies thereof and deposits with financial institutions.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Under state law, all deposits are secured by federal depository insurance or the pledge of securities held by the pledging banks agent in the Port's name. At June 30, 2007 and 2006, the carrying amount of the Port's deposits (demand deposits and time certificates of deposit) was \$30,793,706 and \$10,620,484 and the related bank balances were \$31,131,179 and \$13,798,296, respectively. Of the bank balances, \$211,084 and \$207,270 were covered by federal depository insurance and \$30,864,150 and \$13,591,026 were covered by collateral held by the pledging banks' trust department or agent in the Port's name at June 30, 2007 and 2006, respectively. Amounts at one bank in which deposits were in excess of federal depository insurance and collateral held in the Port's name by its agent amounted to \$55,954 as of June 30, 2007.

Investments

The Port may invest idle funds as authorized by Louisiana Statutes, as follows:

- (a) United States bonds, treasury notes, certificates, or any other federally insured investment.
- (b) Time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana.
- (c) Mutual or trust funds, which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940 and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (continued)

Cash and investments were included in the balance sheet as of June 30 as follows:

	2007	2006
Cash and cash equivalents	\$ 30,693,706	\$ 10,520,484
Investments – current assets	100,000	100,000
Restricted assets	29,617,944	36,596,516
	<u>\$ 60,411,650</u>	<u>\$ 47,217,000</u>

Included in cash and investments at June 30, 2007 and 2006, were the following:

Securities Type	2007	2006
Investments in securities of U.S. Treasury obligations	\$ 18,358,432	\$ 17,753,260
Money market mutual funds	11,259,512	18,843,256
Deposits:		
Certificates of deposit	100,000	100,000
Demand deposits with banks	30,693,706	10,520,484
Total cash and investments	<u>\$ 60,411,650</u>	<u>\$ 47,217,000</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Port has a formal investment policy that limits investment maturities to three years as a means of managing its exposure to fair value losses arising from increasing interest rates. In addition, approximately 50% of the Port's portfolio shall be one year or less for liquidity reasons and interest rate volatility risk.

As of June 30, 2007, the Port had the following investments and maturities.

	Fair Value	Remaining Maturity (in Years)	
		Less Than One	1-2
U.S. Treasury Notes	<u>\$ 18,358,432</u>	<u>\$ 9,481,050</u>	<u>\$ 8,877,382</u>

Credit Risk

State law limits investments in securities issued, or backed by United States Treasury obligations, and U.S. Government instrumentalities, which are federally sponsored. The Port's investment policy does not further limit its investment choices.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

3. DUE FROM OTHER GOVERNMENTS

Due from other governments consists of 1) state funds from the Louisiana Department of Transportation and Development for facility planning and control projects, flood control projects and port priority projects; 2) federal funds receivable from the Federal Emergency Management Agency (FEMA); 3) federal funds receivable under the Truman-Hobbs Act for alterations to the Florida Avenue Bridge; and 4) various other state and federal grants. At June 30, 2007 and 2006, amounts due are as follows:

	<u>2007</u>	<u>2006</u>
Louisiana Department of Transportation and Development	\$ 5,505,276	\$ 5,743,513
Federal Emergency Management Agency (FEMA)	971,538	1,098,800
United States Coast Guard	-	59,047
	<u>\$ 6,476,814</u>	<u>\$ 6,901,360</u>

4. PROPERTY, NET

A summary of changes in property is as follows:

	<u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2007</u>
Property not being depreciated:				
Land and improvements	\$ 74,286,468	\$ -	\$ -	\$ 74,286,468
Construction in progress	79,224,711	20,462,285	(77,235,246)	22,451,750
Total property not being depreciated	<u>153,511,179</u>	<u>20,462,285</u>	<u>(77,235,246)</u>	<u>96,738,218</u>
Property being depreciated:				
Property (wharves, building, etc.)	605,408,216	75,323,370	(79,577)	680,652,009
Furniture and fixtures	7,449,461	332,412	(33,298)	7,748,575
Equipment	10,883,329	356,764	(46,224)	11,193,869
Total property being depreciated	<u>623,741,006</u>	<u>76,012,546</u>	<u>(159,099)</u>	<u>699,594,453</u>
Less accumulated depreciation	<u>(251,196,895)</u>	<u>(17,340,696)</u>	<u>114,447</u>	<u>(268,423,144)</u>
Total property being depreciated, net	<u>372,544,111</u>	<u>58,871,842</u>	<u>(44,652)</u>	<u>431,171,309</u>
Property, net	<u>\$ 526,055,290</u>	<u>\$ 79,134,135</u>	<u>\$ (77,279,898)</u>	<u>\$ 527,909,527</u>

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

4. PROPERTY, NET (continued)

	July 1, 2005	Additions	Deletions	June 30, 2006
Property not being depreciated:				
Land and improvements	\$ 74,286,468	\$ -	\$ -	\$ 74,286,468
Construction in progress	51,116,561	40,602,956	(12,494,806)	79,224,711
Total property not being depreciated	125,403,029	40,402,956	(12,494,806)	153,511,179
Property being depreciated:				
Property (wharves, building, etc.)	629,899,101	13,785,683	(38,276,568)	605,408,216
Furniture and fixtures	7,356,687	233,598	(140,824)	7,449,461
Equipment	12,619,288	111,779	(1,847,738)	10,883,329
Total property being depreciated	649,875,076	14,131,060	(40,265,130)	623,741,006
Less accumulated depreciation	(254,978,578)	(16,502,886)	20,284,569	(251,196,895)
Total property being depreciated, net	394,896,498	(2,371,826)	(19,980,561)	372,544,111
Property, net	<u>\$ 520,299,527</u>	<u>\$ 38,231,130</u>	<u>\$ (32,475,367)</u>	<u>\$ 526,055,290</u>

Construction in progress consists of the following at June 30, 2007 and 2006:

	2007	2006
Wharf, Shed & Yard Rehabs	\$ 9,048,171	\$ 4,073,949
Hurricane Katrina Damages	7,316,361	11,465,821
Elaine St Wharf	949,966	18,223,028
Security	861,404	1,180,914
Erato Street Cruise Terminal	-	39,044,877
Other	4,275,848	5,236,122
	<u>\$ 22,451,750</u>	<u>\$ 79,224,711</u>

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

4. PROPERTY, NET (continued)

Total interest incurred by the Port was \$5,711,271 and \$5,608,842 for the years ended June 30, 2007 and 2006, respectively. Interest earnings on invested proceeds of the debt were \$667,120 and \$767,863 respectively. The differences between interest incurred on debt for capital assets and interest earnings on invested proceeds of the debt totaled \$5,044,151 and \$4,840,979 for the years ended June 30, 2007 and 2006, respectively. Of these amounts, \$481,498 and \$1,663,382 for the year ended June 30, 2007 and 2006, respectively, were included as part of the cost of capital assets under construction in progress for the Erato Street Cruise Terminal.

5. NON-CURRENT LIABILITIES

Long-Term Debt

Long-term debt consists of the following at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Bonds payable	\$ 107,375,000	\$ 109,050,000
Premium and discounts	(454,385)	(474,970)
	<u>106,920,615</u>	<u>108,575,030</u>
Less current portion	(2,355,000)	(1,975,000)
	<u>\$ 104,565,615</u>	<u>\$ 106,600,030</u>

On June 1, 2001, the Port issued \$30,800,000 Port Facility Revenue Bonds, Series 2001. The bonds mature in the year 2021. Proceeds from such bonds were expended for the acquisition; construction and completion of certain dock and wharf improvements for the development of the Napoleon Avenue Container Terminal. The bonds are limited obligations of the Port and are payable solely from and secured by a pledge of the net revenues derived by the Port from the entire port and harbor system and certain funds and accounts created under the bond indenture. In addition, the Series 2001 Bonds are secured by a Financial Guaranty Insurance Policy. Interest on the bonds is payable semi-annually on April 1 and October 1. Interest rates vary from 4.25 percent to 5.625 percent. All bonds may be redeemed prior to their maturities in accordance with provisions of the bond indenture. The redemption price of some of the bonds includes a premium of 1 percent.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. NON-CURRENT LIABILITIES (continued)

Long-Term Debt (continued)

On August 1, 2002, the Port issued \$31,000,000 Port Facility Revenue Bonds, Series 2002. The bonds mature in the year 2032. Proceeds from such bonds were expended for the acquisition; construction and completion of certain dock and wharf improvements for the development of the Napoleon Avenue Container Terminal. The bonds are limited obligations of the Port and are payable solely from and secured by a pledge of the net revenues derived by the Port from the entire port and harbor system and certain funds and accounts created under the bond indenture. In addition, the Series 2002 Bonds are secured by a Financial Guaranty Insurance Policy. Interest on the bonds is payable semi-annually on April 1 and October 1. Interest rates vary from 3.00 percent to 4.50 percent. All bonds may be redeemed prior to their maturities in accordance with provisions of the bond indenture. The redemption price of some of the bonds includes a premium of 1 percent.

On July 15, 2003, the Port issued \$34,000,000 of Port Facility Revenue Bonds, Series 2003. The bonds mature in the year 2033. Proceeds from such bonds are to be used to finance certain capital improvements to the Port Complex, including but not limited to, the acquisition and construction of parking and cruise terminal facilities, and to reimburse the Board for certain capital expenditures previously made. The bonds are limited obligations of the Port and are payable solely from and secured by a pledge of the net revenues derived by the Port from the entire port and harbor system and certain funds and accounts created under the bond indenture. In addition, the Series 2003 Bonds are secured by a Financial Guaranty Insurance Policy. Interest on the bonds is payable semi-annually on April 1 and October 1. Interest rates vary from 3.00 percent to 5.00 percent. Certain of the bonds may be redeemed prior to their maturities in accordance with provisions of the bond indenture. The redemption price of some of the bonds includes a premium of 1 percent.

On April 21, 2005, the Port issued \$19,355,000 of Port Facility Revenue Bonds, Series 2005. The bonds mature in the year 2034. Proceeds from such bonds are to be used to finance capital improvements to the Port Complex, including but not limited to, a cruise terminal complex on the Erato Street wharf, related parking and operational facilities, and other port facilities within its jurisdiction. Interest on the bonds is payable quarterly on March 1, June 1, September 1, and December 1. The interest rate varies with the Bond Market Association (BMA) index. The rate as of June 30, 2007 was 3.80%. The bonds are supported through a letter of credit agreement. The 2005 Series Revenue Bonds are subordinate to the 2003, 2002 and 2001 Series Revenue Bonds.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. NON-CURRENT LIABILITIES (continued)

Long-Term Debt (continued)

Operating revenues are pledged as security for all revenue bond issues.

Debt service requirements relating to bonds outstanding are as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 2,355,000	5,099,495	7,454,495
2009	2,150,000	4,992,428	7,142,428
2010	2,250,000	4,890,017	7,140,017
2011	2,355,000	4,782,838	7,137,838
2012	2,455,000	4,682,303	7,137,303
2013-2017	14,060,000	21,593,005	35,653,005
2018-2022	17,725,000	17,856,244	35,581,244
2023-2027	22,430,000	13,089,421	35,519,421
2028-2032	28,285,000	7,137,404	35,422,404
2033-2034	13,310,000	834,400	14,144,400
	<u>\$ 107,375,000</u>	<u>\$ 84,957,554</u>	<u>\$ 192,332,554</u>

Special Community Disaster Loan Payable

The Port was approved for and made draw downs of \$5,627,230 in April and May 2006 and \$1,921,876 in September 2006 under the Community Disaster Loan Act (the Loan Act). Proceeds from the borrowings are to be used to pay current operations of the Port relating to essential services, including police and fire protection, trash collection, and other services related to protecting and promoting the health, safety and public welfare of the community. The loan shall bear interest at the latest five-year Treasury rate at the time of the closing date of the loan, plus one percent. Interest rates and maturity dates for the draw downs are as follows:

<u>Principal</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
\$ 5,627,230	2.81%	March 2, 2011
1,517,651	3.00%	July 23, 2011
404,225	2.93%	August 27, 2011
<u>\$ 7,549,106</u>		

Operating revenues are pledged as security for the loan.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. NON-CURRENT LIABILITIES (continued)

Special Community Disaster Loan Payable (continued)

Debt service requirements relating to the loan are as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 5,627,230	\$ 762,168	\$ 6,389,398
2012	1,921,876	278,257	2,200,133
	<u>\$ 7,549,106</u>	<u>\$ 1,040,425</u>	<u>\$ 8,589,531</u>

Debt Service Assistance Program Loan Payable

In July 2006, the Port and the State of Louisiana (the State) entered into a Cooperative Endeavor Agreement whereby the State agreed to lend up to \$14,364,960 from State funds on deposit in the Debt Service Assistance Fund, authorized by the Gulf Opportunity Zone Act of 2005 and Act 41 of the First Extraordinary Session of the Louisiana Legislature of 2006, to assist in payment of debt service requirements from 2006 through 2008 due to disruption of revenue streams caused by Hurricanes Katrina and Rita. Draw downs on the loan will be made as debt service payments become due. No principal or interest shall be payable during the initial five year period of the loan. After the expiration of the initial five year period, the loan shall bear interest at a fixed rate of 4.64 percent. Principal payments on the bonds begin in July 2012 and the loan will mature in July 2026. Interest is payable semi-annually on January 15 and July 15 beginning January 2012. The loan may be prepaid without penalty or premium. The Port has the right to request one extension of its obligation to begin payments under the loan not to exceed five years. As of June 30, 2007, the Port has drawn down \$6,863,744 on this agreement.

Debt service requirements relating to the bond are as follows:

Years Ending June 30	Principal	Interest	Total
2012	\$ -	\$ 159,239	\$ 159,239
2013-2017	1,792,825	1,391,960	3,184,785
2018-2022	2,249,191	925,006	3,174,197
2023-2027	2,821,728	339,186	3,160,914
	<u>\$ 6,863,744</u>	<u>\$ 2,815,391</u>	<u>\$ 9,679,135</u>

Capital Lease

Capital lease obligations consist of the following at June 30, 2007 and 2006:

	2007	2006
Capital leases payable	\$ 6,296,368	\$ 6,853,684
Less current portion	(347,352)	(349,470)
Long Term Debt	<u>\$ 5,949,016</u>	<u>\$ 6,504,214</u>

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. NON-CURRENT LIABILITIES (continued)

Capital Lease (continued)

Lease payments relating to capital leases outstanding are as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 347,352	\$ 180,338	\$ 527,690
2009	643,085	331,925	975,010
2010	654,474	295,444	949,918
2011	670,037	258,113	928,150
2012	709,118	219,032	928,150
2013 - 2016	3,272,302	440,299	3,712,601
	<u>\$ 6,296,368</u>	<u>\$ 1,725,151</u>	<u>\$ 8,021,519</u>

On November 17, 2000, the Port entered into a capital lease agreement to purchase two new container cranes at an aggregate cost of \$12,500,000 at 5.75 percent interest. The cranes were placed in service during the year ended June 30, 2004. At June 30, 2006 and 2005, the gross capitalized cost including capitalized interest was \$12,614,430 with accumulated amortization of \$946,230 and \$630,820, respectively. There are thirty equal semi-annual payments of \$628,454 for principal and interest with the first payment due July 1, 2001. The remaining proceeds of the capital lease were applied to the outstanding principal balance of the capital lease during October, 2004. This reduced the remaining semi-annual payments to \$464,075 for principal and interest with the first payment due January 1, 2005.

During the year ended June 30, 2004, the Port entered into a capital lease agreement for an IBM mainframe computer at an aggregate cost of \$95,590 at 6.68 percent interest. The monthly lease payments are \$2,942 for a thirty six month period ending November 1, 2006.

During the year ended June 30, 2005, the Port entered into a capital lease agreement for computer equipment at an aggregate cost of \$125,137 at 2.8 percent interest. The monthly lease payments are \$3,618 for a thirty-six month period ending December 1, 2007.

During the year ended June 30, 2006, the Port entered into a capital lease agreement for computer equipment at an aggregate cost of \$58,898 at 6.4 percent interest. The monthly lease payments are \$1,628 for a thirty-three month period ending November 30, 2008.

During the year ended June 30, 2007, the Port entered into capital lease agreements for computer equipment at an aggregate cost of \$119,177 at interest rates ranging from 4.9 percent to 5.8 percent. The monthly lease payments are \$1,309 and \$2,275 for thirty-six month periods ending July 1, 2009 and January 1, 2010.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. NON-CURRENT LIABILITIES (continued)

Changes in Non-Current Liabilities

Non-current liabilities activity for the years ended June 30, 2007 and 2006 are as follows:

	July 1, 2006	Additions	Reductions	June 30, 2007	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 109,050,000	\$ -	\$ (1,675,000)	\$ 107,375,000	\$ 2,355,000
Bond premium and discounts	(474,970)	-	20,585	(454,385)	-
Total bonds payable	108,575,030	-	(1,654,415)	106,920,615	2,355,000
Community disaster loan payable	5,627,230	1,921,876	-	7,549,106	-
Debt service assistance program loan payable	-	6,863,744	-	6,863,744	-
Capital leases payable	6,853,684	93,348	(650,664)	6,296,368	347,352
Net pension obligation	326,095	44,728	-	370,823	-
Compensated absences	1,280,644	135,971	(128,735)	1,287,880	105,246
	<u>\$ 122,662,683</u>	<u>\$ 9,059,667</u>	<u>\$ (2,433,814)</u>	<u>\$ 129,288,536</u>	<u>\$ 2,807,598</u>

	July 1, 2005	Additions	Reductions	June 30, 2006	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 110,660,000	\$ -	\$ (1,610,000)	\$ 109,050,000	\$ 1,975,000
Bond premium and discounts	(495,465)	-	20,495	(474,970)	-
Total bonds payable	110,164,535	-	(1,589,505)	108,575,030	1,975,000
Community disaster loan payable	-	5,627,230	-	5,627,230	-
Capital leases	7,355,310	99,487	(601,113)	6,853,684	349,470
Net pension obligation	392,242	-	(66,147)	326,095	-
Compensated absences	1,403,961	122,889	(246,206)	1,280,644	105,000
	<u>\$ 119,316,048</u>	<u>\$ 5,849,606</u>	<u>\$ (2,502,971)</u>	<u>\$ 122,662,683</u>	<u>\$ 2,429,470</u>

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

6. RISK MANAGEMENT, CONTINGENCIES AND COMMITMENTS

The Port is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Port carries commercial liability and property insurance. The Port is self-insured for workers' compensation and general maritime claims ("Jones Act"). The Port continues to be liable for each such claim up to \$1,000,000, with judgments and settlements over the \$1,000,000 limit being covered by the Port's umbrella liability policy up to \$50,000,000 for each occurrence. For the years ended June 30, 2007 and 2006 the Port's expenses for workers' compensation and other liability claims were \$468,881 and 685,901, respectively. There were no expenses related to police professional liability incurred during 2007 and 2006. For each of the past three years, there were no settlements that exceeded the Port's insurance coverage.

As of June 30, 2007, the Port has determined, through an analysis of historical experience, the adequacy of the liability recorded to cover all losses and claims, both incurred and reported and incurred but not reported, under its self-insurance programs. These amounts are not discounted.

A summary of activity in the liability for claims is as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Balance, beginning of year	\$ 1,298,500	\$ 785,606	\$ 1,018,153
Provision for claims	317,933	518,111	(206,581)
Benefit payments, net of recoveries	(26,076)	(5,217)	(25,966)
Balance, end of year	<u>\$ 1,590,357</u>	<u>\$ 1,298,500</u>	<u>\$ 785,606</u>

The Port is a party to various legal proceedings incidental to its business. Two judgments have been rendered against the Board and there are several lawsuits pending in which the Board is named as a defendant by stevedores claiming asbestosis-related injuries because the Board at one time had asbestos materials cross its wharves. Management believes there is a very good chance that the judgments will be reversed on appeal and that the reserve account adequately covers these lawsuits. Certain other claims, suits and complaints arising in the ordinary course of business have been filed or are pending against the Port. The resolution of these matters is not expected to have a material adverse effect on the financial statements of the Port.

The Port is also a party to various legal proceedings related to Hurricane Katrina. These lawsuits are currently in the early stages and the outcome cannot be estimated at this time, though preliminary assessments of the lawsuits indicate little likelihood of success against the Port.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

6. RISK MANAGEMENT, CONTINGENCIES AND COMMITMENTS (continued)

In connection with the lease purchase of cranes for the Napoleon Avenue Container Terminal certain monies were advanced by the lessor and deposited into escrow for the purchase of the cranes from a third party. At June 30, 2004, there was \$3,386,994 in escrow. In 2005, the escrowed funds were returned to the lessor and the lease was renegotiated. The final purchase price of the cranes is in dispute. The contract to design, build, construct, transport, deliver, install and test the cranes for the Napoleon Avenue Container Terminal provided for assessments if the cranes were not delivered 420 days from the notice to proceed (December 13, 2000) and the contractor occupied the staging area beyond a set amount of days. The cranes were not operational until April 2003. Therefore, the Board claims damages of \$3,100,000. The contractor argues that the delays were beyond its control and that the Port was not damaged to the extent it is claiming because construction of the wharf was not ready for the cranes' delivery. The Contractor has not been paid \$2,765,832 on the original contract. The financial statements do not reflect either the \$3,100,000 claim receivable or the \$2,765,832 contract payable, since management believes there is a right of offset. Management believes the claim for damages is valid and that this dispute will be resolved in its favor.

As part of the Port's long-term capital construction program, commitments related to such capital construction projects were approximately \$11.5 million and \$29.0 million as of June 30, 2007 and 2006, respectively.

The Port receives financial assistance directly from Federal agencies which are subject to audit and final acceptance by these agencies. In the opinion of management, amounts that might be subject to disallowance upon final audit, if any, would not have a material effect on the Port's financial position.

7. REVENUES AND LEASES

Revenues of the Port are reported net of estimated uncollectible amounts. Total estimated uncollectible amounts related to revenues were \$67,206 and \$199,549 for the years ended June 30, 2007 and 2006, respectively. The Port leases to others substantially all of its land, property and equipment under various operating lease agreements. For the years ended June 30, 2007 and 2006, 26% and 28%, respectively, of total revenues were from one lessee. Operating lease rental income was approximately \$20,495,387 and \$15,970,343 during the years ended June 30, 2007 and 2006, respectively.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

7. REVENUES AND LEASES (continued)

As of June 30, 2007, future minimum rental payments to be received under operating leases that have initial or remaining non-cancelable lease terms in excess of one year are as follows:

2008	\$ 15,578,086
2009	11,667,599
2010	10,244,895
2011	9,039,665
2012	7,992,591
Thereafter	<u>42,412,202</u>
Total future minimum lease payments	<u>\$ 96,935,038</u>

8. RETIREMENT PLANS

Substantially all of the Port's employees are required by State law to participate in retirement plans administered by the Louisiana State Employees' Retirement System ("LASERS") or the Harbor Police Employees' Retirement System ("HPERS").

Disclosures relating to these plans follow:

A. LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

Plan Description - All full-time employees of the Port participate in the LASERS, with the exception of harbor police, who are covered under the HPERS. The LASERS, established within Title 11 Chapter 401 of the Louisiana Revised Statutes, is a cost-sharing, multiple-employer plan administered on a statewide basis, covering all classified and unclassified employees of the state government of Louisiana, of which the Port is a political subdivision. The Port's total payroll for the years ended June 30, 2007 and 2006 was \$13,304,838 and \$14,281,670, respectively, of which \$9,024,512 and \$9,720,729, respectively, in covered payroll related to participants in the LASERS.

Members are vested after 10 years of service. A member is eligible to retire after at least 10 years of service at age 60, 25 years at age 55, 30 years at any age or after 20 years at any age with a reduced benefit. The system does provide for deferred benefits for vested members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable at a rate of 2.5% of average annual compensation for the highest 3 consecutive years of employment multiplied by the number of years of creditable service with certain limitations. Once an employee has accumulated 10 years of service, disability benefits apply based on the regular benefit formula without age restrictions.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

8. RETIREMENT PLANS (continued)

A. LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM (continued)

The plan provides for a retirement option designated as the Deferred Retirement Option Plan (DROP). This option permits LASERS members to continue working at their state jobs for up to three years while in a retired status. DROP allows these retirees to accumulate retirement benefits in a special account for later distribution.

Funding policy - The LASERS is a defined benefit contributory pension plan to which employees contribute 7.5% of their salaries and the Port contributed 19.1% of the employees' salaries toward future benefits respectively for the years ended June 30, 2007 and 2006. Provisions for employer and employee contributions are in LRS 42:651; 712; 712.1; 712.3.

Ten-year historical trend information showing the LASERS's progress in accumulating sufficient assets to pay benefits when due is presented in the LASERS's June 30, 2007 audited financial reports. The LASERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, LA 70804-4213.

Total contributions for the years ended June 30, 2007, 2006 and 2005 were \$2,401,463, \$2,585,714 and \$2,440,534, respectively. These amounts are equal to the required contributions for each of these three years. Contributions for the year ended June 30, 2007 consisted of employee contributions of \$677,780 and employer contributions of \$1,723,683. Contributions for the year ended June 30, 2006 consisted of employee contributions of \$729,055 and employer contributions of \$1,856,659.

B. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM

Plan Description - All commissioned members and certain employees of the Harbor Police Department of the Port who are under the age of 50 on the date of employment are eligible to participate in the HPERS, established within Title 11 Chapter 3 of the Louisiana Revised Statutes, a single employer defined benefit pension plan administered by an eight member Board of Trustees. The Port's total payroll for the years ended June 30, 2007 and 2006 was \$13,304,838 and \$14,281,670, respectively, of which \$1,324,730 and \$1,665,886 in covered payroll, respectively, related to participants in the HPERS.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

8. RETIREMENT PLANS (continued)

B. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM (continued)

Member benefits are equal to 3 1/3% of average final compensation, as defined, multiplied by creditable service years, not to exceed 100% of final salary. However, if a person retires before age 50, the benefit is 2 1/2% of average final compensation, as defined, multiplied by creditable service years, not to exceed 85% of final salary. Members are eligible to retire at any age with 30 years service, at age 60 with 10 years service and at age 45 with 20 years service. The HPERS also provides benefits for surviving spouses and disabled members. If a member resigns from the Police Department before retirement, accumulated employee contributions are refunded to the employee without interest. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Board of Trustees subject to certain constraints.

The plan provides for a retirement option designated as the Deferred Retirement Option Plan (DROP). This option permits HPERS members to continue working at their jobs for up to five years while in a retired status. DROP allows these retirees to accumulate retirement benefits in a special account for later distribution.

The HPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Harbor Police Retirement System, Post Office Box 60046, New Orleans, LA 70160.

Funding Policy - Employees are required to contribute 7% of their covered payroll to the HPERS. The Port is required to make contributions to the HPERS at actuarially determined rates expressed as a percentage of members' covered payroll, not to exceed 13%. Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial method until assets exceed accrued actuarial liabilities, at which point the aggregate actuarial cost method is used. The Port funded (including fines) 13.52% and 14.19%, respectively, of the members' covered payroll for fiscal years ended June 30, 2007 and 2006.

Annual Pension Cost and Net Pension Obligation - The Port's annual pension cost and net pension obligation to HPERS are as follows:

	<u>2007</u>	<u>2006</u>
Annual required contribution	\$ 173,542	\$ 191,470
Interest on net pension obligation	27,742	27,457
Adjustment to annual required contribution	<u>(47,631)</u>	<u>(48,700)</u>
Annual pension cost	153,653	170,227
Contributions made	<u>(179,147)</u>	<u>(239,374)</u>
Increase in net pension obligation	(25,494)	(66,147)
Net pension obligation, beginning of year	326,095	392,242
Change in actuarial calculation	70,222	-
Net pension obligation, end of year	<u>\$ 370,823</u>	<u>\$ 326,095</u>

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

8. RETIREMENT PLANS (continued)

B. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM (continued)

The annual required contributions for 2007 and 2006 were determined based on actuarial valuations using the aggregate actuarial cost method. The actuarial assumptions included (a) the determination of life expectancy based on the 1971 Group Annuity Mortality Table, (b) the determination of participant retirements based on an expected retirement age of 63 years, (c) an assumed average rate of return on investment of 7.0%, and (d) projected salary increases of 5% per year (2.5% increase for inflation and 2.5% increase for seniority and merit raises). The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities.

Four-Year Trend Information

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Benefit)
2004	321,331	72.1	300,384
2005	327,740	72.0	392,242
2006	170,227	138.9	326,095
2007	153,653	116.6	379,823

The following is a summary of the statement of plan net assets available for benefits as of June 30, 2007 and 2006 and changes in net assets for the years then ended:

Statement of Plan Net Assets	2007	2006
Investments at fair value	\$ 13,425,504	\$ 12,401,238
Cash equivalents - LAMP	280,025	-
Contributions receivable	35,498	66,990
Liabilities	(12,873)	(15,747)
Net assets available for benefits	<u>\$ 13,728,154</u>	<u>\$ 12,452,481</u>

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

8. RETIREMENT PLANS (continued)

B. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM (continued)

<u>Statement of Changes in Net Assets</u>	<u>2007</u>	<u>2006</u>
Additions:		
Contributions	\$ 280,917	\$ 352,987
Investment income including		
Unrealized gains (losses)	1,922,946	1,186,853
Other	(35,113)	(46,637)
Total additions	<u>2,168,750</u>	<u>1,493,203</u>
Deductions:		
Benefits paid	720,864	766,892
Refunds and transfers of contributions	114,423	38,182
Administrative expenses	57,790	46,950
Total deductions	<u>893,077</u>	<u>852,024</u>
Increase in plan net assets	1,275,673	641,179
Net assets available for benefits:		
Beginning of year	12,452,481	11,811,302
End of year	<u>\$ 13,728,154</u>	<u>\$ 12,452,481</u>

9. OTHER POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the Port provides post-employment health care benefits and life insurance benefits. These benefits are at the Board's discretion and are funded on a pay as you go basis. The benefits are currently offered to all employees who retire from the Port. Former employees and their spouses pay between 17% and 100% of the premium depending on the type of coverage. Post-employment benefits consist of the following:

	<u>2007</u>	<u>2006</u>
Number of participants:		
Life insurance	95	102
Health insurance	193	200
Life insurance expense	\$ 111,896	\$ 123,008
Health insurance expense	\$ 632,219	\$ 610,296

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

10. CONDUIT DEBT

From time to time, the Port has issued Industrial Revenue Bonds to provide assistance for private-sector entities for Port related projects that are deemed to be in the public interest. The Port is not obligated for repayment of the bonds. Accordingly, the bonds are not reported in the accompanying financial statements.

Industrial revenue bonds in the amount of \$35,600,000 were issued by the Port on July 1, 1981, for the account of Avondale Shipyards, Inc. (a wholly-owned subsidiary of Ogden Management Corporation) for the purpose of financing a floating drydock and support facilities to be moored within the jurisdiction of the Port as part of the public port. Industrial revenue bonds in the amount of \$36,250,000 were issued on June 1, 1983, to provide funds for the purpose of refunding the bonds issued on July 1, 1981. Industrial revenue bonds in the amount of \$36,250,000 were issued on April 1, 1994, to provide funds for the purpose of refunding the bonds issued on June 1, 1983, and will mature in 2014. The bonds are limited obligations of the Port, payable solely from and secured by a pledge of the revenues to be received pursuant to an Installment Sales Agreement and by an unconditional guarantee by Ogden Management Corporation. The aggregate amount outstanding at June 30, 2007 is not readily determinable by the Port.

Port facility revenue bonds in the amount of \$3,700,000 were issued on June 8, 2000 for the account of New Orleans Steamboat Company for the purpose of constructing a facility within the jurisdiction of the Port as part of the public port. At June 30, 2007, \$3,200,000 is outstanding. The bonds are limited obligations of the Port, secured by a letter of credit issued by the Whitney National Bank in New Orleans for the account of New Orleans Steamboat Company.

Port facility revenue bonds in the amount of \$7,500,000 were issued on November 1, 2002 for the account of New Orleans Cold Storage and Warehouse Company Limited for the purpose of constructing a cold storage facility. At June 30, 2007, \$7,500,000 is outstanding. The bonds are limited obligations of the Port, secured by a letter of credit issued by the Whitney National Bank in New Orleans for the account of NOCS.

In March 2005, the Port entered into a cooperative endeavor agreement with the Louisiana Department of Economic Development (DED) and CG Railway, Inc. to provide a portion of the financing for an approximately \$43,500,000 rail car cargo facility. Under the agreement, the DED provided \$15,000,000 of the project costs through the issue of special project revenue bonds. Special Project Revenue Bonds in the amount of \$16,670,000 were issued on May 24, 2005 for this purpose. At June 30, 2007, \$15,285,000 is outstanding. The bonds are limited obligations of the Port, payable solely from and secured by the State of Louisiana.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

10. CONDUIT DEBT (continued)

The agreement was amended April 2006 as a result of the discontinuance of the dredging of siltation in and around the Mississippi River Gulf Outlet following Hurricane Katrina, which rendered many of the obligations under the agreement impossible and required that any items not needed by the Port for maritime commerce be sold and the proceeds turned over to the State of Louisiana to help defray the costs of the project. In September 2006, the Port sold some of the items declared as surplus to the Port's needs for maritime commerce to CG Railway, Inc. for \$2,500,000. This amount was submitted to the DED.

11. NATURAL DISASTER

On August 29, 2005, the New Orleans region suffered significant damage to property and lives when Hurricane Katrina struck the Gulf Coast area. The Port of New Orleans did not suffer the devastation that other public entities realized in the area, but did sustain damage to facilities and loss of revenue. The Port facilities along the river suffered moderate damage. Facilities along the Industrial Canal suffered severe damage. The Port had insurance in place to cover most of the property damage and business interruption insurance to offset some of the revenue loss.

For the year ended June 30, 2007, costs of cleanup, repairs, and extra expenses amounted to \$5,593,185. For the year ended June 30, 2006, costs of damaged property and lost inventory amounted to \$18,950,846 and costs of cleanup, repairs, and extra expenses amounted to \$2,960,928. As of June 30, 2007 and 2006, the Port received \$36,774,578 and \$10,200,000, respectively, of insurance proceeds. Included in Accounts Receivable as of June 30, 2007 and 2006 is \$13,660,531 and \$12,096,351 representing additional insurance proceeds received subsequent to June 30, 2007 and 2006, respectively. The insurance carrier identified \$3,273,067 of the insurance proceeds for the year ended June 30, 2007 as business interruption insurance proceeds. For the year ended June 30, 2006, the Port allocated \$4,478,303 of business interruption insurance proceeds due to no determination from the Port's insurance carrier regarding the amount of business interruption insurance included in insurance proceeds received. The Port submitted a total claim of \$11,708,321 under its business interruption insurance policy. An additional claim in excess of \$100 million for property damage has been filed by the Port. Additional insurance proceeds in excess of costs, if any, will be recognized in future years.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

12. SUBSEQUENT EVENT

At their regular monthly meeting on July 26, 2007, the Board of Commissioners of the Port of New Orleans began the process of restructuring up to \$125,000,000 of debt by authorizing application to the Louisiana State Bond Commission for authority to issue "Advance Refunding Bonds" as designated under the Gulf Opportunity Zone Act of 2005. At this meeting they also adopted the Board's swap policy, authorized a fourth supplemental indenture, authorized the distribution of a Preliminary Official Statement, and appointed underwriters, bond counsel and a financial advisor. At their September 20, 2007 meeting, The Louisiana State Bond Commission approved the restructuring subject to Bond Commission Staff approval of final documents. At the time of issue of these financial statements, the Board was moving forward with this debt refunding, which is estimated to be below the \$125,000,000, in the \$90 million range.

BOARD OF COMMISSIONERS OF
THE PORT OF NEW ORLEANS

SINGLE AUDIT REPORTS

JUNE 30, 2007



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BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Board of Commissioners of the
Port of New Orleans:

We have audited the financial statements of the Board of Commissioners of the Port of New Orleans (the Port) as of and for the year ended June 30, 2007, and have issued our report thereon dated December 11, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Port's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Port's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Port's financial statements that is more than inconsequential will not be prevented or detected by the Port's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2007-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Port's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly would not disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The Port's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Port's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, management, and federal awarding agencies and pass-through entities, such as the State of Louisiana and Legislative Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Metairie, Louisiana
December 11, 2007



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Board of Commissioners of the
Port of New Orleans:

Compliance

We have audited the compliance of the Board of Commissioners of the Port of New Orleans (the Port) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2007. The Port's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Port's management. Our responsibility is to express an opinion on the Port's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Port's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Port's compliance with those requirements.

In our opinion, the Port complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Port is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Port's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of the Port's internal control over compliance.

A control deficiency in the Port's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Port's ability to administer a federal program such that there is more than a remote likelihood that a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Port's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Port's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Port as of and for the year ended June 30, 2007, and have issued our report thereon dated December 11, 2007. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners, management, and federal awarding agencies and pass-through entities, such as the State of Louisiana and Legislative Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Metairie, Louisiana
December 11, 2007



BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures (1)</u>
United States Department of Homeland Security – Special Community Disaster Loans	97.030	\$ 1,921,876
United States Department of Homeland Security – Public Assistance Grants: Passed through the State of Louisiana Office of Homeland Security and Emergency Preparedness	97.036	<u>841,416</u>
Total Federal Assistance Expended		<u>\$ 2,763,292</u>

FOOTNOTES

(1) Basis of Presentation

This schedule includes the federal grant activity of the Port of New Orleans and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

SECTION I-SUMMARY OF AUDIT RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? ☐ Yes ☒ No

Significant deficiencies identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Noncompliance material to financial statements notes? ☐ Yes ☒ No

FEDERAL AWARDS

Internal control over major programs:

Material weaknesses identified? ☐ Yes ☒ No

Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

United States Department of Homeland Security, Federal Emergency Management Agency –
Special Community Disaster Loans (CFDA number 97.030)

United States Department of Homeland Security, Federal Emergency Management Agency –
Disaster Grants – Public Assistance - passed through the State of Louisiana Office of Homeland
Security and Emergency Preparedness (CFDA number 97.036)

Dollar threshold used to distinguish between types A and B programs: \$300,000

Audit qualified as low-risk auditee: ☒ Yes ☐ No

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007

SECTION II-FINANCIAL STATEMENT FINDINGS

2007-1 INTERNAL CONTROL OVER FINANCIAL REPORTING

Condition: General ledger account reconciliations for some significant accounts or transaction classes were not performed in a timely manner.

Criteria: The definition of internal controls over financial reporting is that policies and procedures exist that pertain to an entity's ability to initiate, record, process, and report financial data consistent with the assertions embodied in the annual financial statements, which for the Port is that financial statements are prepared in accordance with generally accepted accounting principles (GAAP). Our responsibility under current audit standards requires us to communicate this issue to management and the Board of Commissioners.

Effect: During the course of our audit procedures we identified significant adjusting entries to general ledger accounts. Due to the significance of the financial statement adjustments, this is an indication that the internal control over financial reporting of the Port meets the definition of a significant deficiency. However, we do not believe that this finding reaches the level of a material weakness.

Cause: Clear responsibility for the performance of these reconciliations was not designated to a particular user department or individual.

Auditor's recommendation: All significant general ledger accounts should be reconciled in a timely manner and reviewed by management. This review should be documented.

Management response: Management concurs with the finding and will implement corrective measures.

SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None